

FIRST COVERAGE WEEKLY SENTIMENT (May 17, 2010)

First Coverage Market Sentiment: Bullish	First Coverage Index: 58.2	Weekly Change: -1.1%	Sell-Side Certainty: Positive
Bullish Industries (8)	Neutral Industries (2)	Bearish Industries (0)	Weekly Sentiment Change
Basic Materials			
	Consumer Goods		
Consumer Services			Bearish
	Financials		
Health Care			
Industrials			
Oil & Gas			Bearish
Technology			Bearish
Telecommunication			
Utilities			

News from Europe and News on US Regulation, Investigations Drive Market

Up Week for Market Ends on Sour Note

The market bounced back at the beginning of last week from the debacle of the week before. Although it gave some of the gains back on Thursday and Friday, it still managed a gain in all the major indices for the week. Most were up over 2%. NASDAQ was up over 3%. The news of more investigations of financial institutions, the news of continuing debates and votes on the FinReg bill making the outcome look increasingly tougher, and the realization that the shock and awe bailout in the EuroZone may not be enough—all will likely continue to pressure the market for another few weeks.

There has been a lot of favorable economic news the last few months. Worries of a double dip in the economy have faded. The odds are still very long on that, but some are getting worried again that the debt and fiscal problems in Europe will cause an economic slowdown in Europe that will drag the US economy down. That by itself is unlikely to do it. But if, in addition, the US housing market does fall back again, and if the US consumer continues to spend cautiously, and if the Senate passes a tough FinReg bill that survives reconciliation with the House, the US recovery may be a lot less than current expectations. But that's a lot of ifs. All may happen, but hopefully not all at the same time. Maybe this is the wall of worry a bull market needs. But maybe we haven't yet got enough of the excesses from the financial bubble out of the system. The one thing that is highly likely going forward is market volatility.

After Turning Bullish Two Weeks Ago, Sell-Side Sentiment Wavered Last Week

Even though sell-side sentiment receded 1.1% last week, it remained in bullish territory, barely. The week before, it had turned bullish for the first time in eight weeks. Oil & Gas, Technology, and Consumer Services registered declines of 8%, 7%, and 6%, respectively, in sell-side sentiment. All three remained in the bullish category, although, they are now well behind Industrials and Health Care, each of which managed modest rises in sentiment last week. Industrials and Technology were the industries with the best price performance last week, with prices rising by almost 4% in both.

Sell-Side Sentiment for Industrials Shines

Industrials are the highest rated industry for the second week in a row. More importantly, the modest gain this week of just over 1% coming on top of the 11% gain the week before, appear to confirm that the Industrials have broken out of a short-term down trend and resumed the longer term uptrend that began 15 months ago. Industrials experienced a month long downturn in March, bottomed in April, and snapped back in the last two weeks. In addition to their price gain of almost 4% last week, Industrials also head the list for year-to-date gains, rising almost 10%.

Health Care Appears to be Breaking out on the Upside

A few weeks ago, sell-side sentiment for Health Care was at the same level as 11 months earlier. There were a number of false breakouts in both directions over that time. After sentiment gains in three out of the last four weeks, including 3% last week, Health Care sentiment now is showing the strongest signs seen over the past year of an upward breakout. Another week or two of further increases in sentiment would provide strong confirmation Health Care is finally gaining some consistent support. Health Care prices were only up 1%, the weakest gain of the ten industries. Year-to-date prices are down 3%. Opportunity exists, especially in an uncertain market.

Financials may be about to Crawl out of the Sentiment Basement

Sentiment for Financials was very volatile last week, but it did eke out a 1% rise last week, even though sentiment pulled back Friday from the temporary high made on Thursday. It remains the lowest rated industry, but for the first time since sell-side sentiment for Financials began declining six months ago, it

now seems to be reversing that downward trend. Meanwhile, after three straight weeks of declines in sentiment, Consumer Goods may shortly have the sentiment basement to itself.

Economic and Earnings Reports Had Little Impact Last Week

Most of last week's news on the US economy came on Friday and was summarily ignored. April retail sales were slightly better than expected. They were only up 0.4%, but that was mainly due to the early Easter that made March sales look better than otherwise. The other data released on Friday was more convincing. Industrial production, capacity utilization, and the consumer sentiment reading all rose, although the sentiment number was a tad below expectations. On a good day, the market would have liked all this favorable economic data, but on Friday, the glass looked half empty.

This week is fairly light on economic data. The reports on core consumer and producer prices should show inflation remains benign. The Tuesday report on April housing starts could have an impact, but keep in mind that the results may be skewed by the tax credits coming to an end on April 30.

The Q1 earnings reporting season has one last gasp this week as a number of retailers and tech companies have April ending quarters reports. A handful of these are bellwethers for their industries. Among them are Loew's, Home Depot, WalMart, and Target in retailing, and Hewlett-Packard and Applied Materials in Tech. Last week, Cisco beat expectations and gave an upbeat outlook, but it wasn't enough for the mood of the current market. Deere is also on the docket this week.

Stocks to Watch

Over the last week, the following stocks had the largest bullish and bearish sentiment shifts amongst the sell-side.

Bullish:

Symbol	Company	Industry	Exchange
ERTS	Electronic Arts Ord Shs	Consumer Goods	NASDAQ
V	Visa Ord Shs Class A	Financials	NYSE
ZINC	Horsehead Holding Ord Shs	Basic Materials	NASDAQ
ATVI	Activision Blizzard Ord Shs	Consumer Goods	NASDAQ
PCX	Patriot Coal Ord Shs	Basic Materials	NYSE

Bearish:

Symbol	Company	Industry	Exchange
SPF	Standard Pacific Ord Shs	Consumer Goods	NYSE
SKS	Saks Ord Shs	Consumer Services	NYSE
EP	El Paso Corp Ord Shs	Oil & Gas	NYSE
MTB	M&T Bank Corp Ord Shs	Financials	NYSE
IMMU	Immunomedics Ord Shs	Health Care	NASDAQ

Until next week ...

About The First Coverage Weekly Street Sentiment

Derived from the aggregated analysis of thousands of actual trade ideas and data being sent in real-time from the sell-side to the buy-side, the First Coverage Weekly Street Sentiment provides a snapshot of market trends and a unique perspective of the mindset of the Street for the week ahead. The following data has been extracted directly from all information transmitted in the past week by sell-side representatives from more than 300 firms submitting information to portfolio and asset managers worldwide via the First Coverage platform.

About First Coverage

Catering to more than 300 financial institutions worldwide, [First Coverage](http://www.firstcoverage.com) provides a web-based platform that simplifies the gathering, evaluation and organization of all sell-side services and information. For more information, visit www.firstcoverage.com or contact us at info@firstcoverage.com.

For media inquiries, please contact Deborah Jorge at First Coverage: Deborah.Jorge@FirstCoverage.com, 617-303-0067 (office) or 413-531-0959 (mobile).

--DISCLAIMER--

First Coverage's Weekly Street Sentiment ("WSS") is derived from sources believed to be reliable, but which we furnish "AS IS" and "WITH ALL FAULTS." We do not warrant or guarantee the suitability, timeliness, sequence, accuracy, or completeness of WSS. THERE ARE NO WARRANTIES OF ANY KIND, EXPRESSED, IMPLIED OR STATUTORY (INCLUDING, WITHOUT LIMITATION, SUITABILITY, TIMELINESS, TRUTHFULNESS, SEQUENCE, ACCURACY OR COMPLETENESS), ANY IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING, OR COURSE OF PERFORMANCE, OR THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE. THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED FROM USE OF WSS. Any analysis, observation or other opinion that WSS may contain is, and must be construed solely as, a statement of opinion and not a statement of fact, indication of preference or recommendation of any nature. Content contained in WSS is not intended to and does not constitute investment advice and no investment adviser-client relationship is formed.

